GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:42
ANSWERED ON:21.02.2006
FOREIGN DIRECT INVESTMENT
Sajjan Kumar Shri ;Singh Shri Sugrib

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government has allowed Foreign Direct Investment (FDI) in retail sector as well as small and medium industries in the country;

(b) if so, the details thereof and the reasons therefor alongwith the percentage of FDI permitted in these sectors;

(c) whether the Government has framed any guidelines in this regard;

(d) if so, the details thereof;

(e) whether the Government has received representations from the traders against allowing FDI in retail sector;

(f) if so, the steps taken by the Government to protect the domestic retail market;

(g) whether the Government proposes to increase the percentage of FDI in small and medium industries; and

(h) if so, the details thereof alongwith other sectors in which the Government is considering to permit FDI?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH)

(a) & (b): The Government has permitted Foreign Direct Investment (FDI) upto 51%, with prior Government approval, only in retail trade of 'Single Brand' products. This is, inter-alia, aimed at attracting investments in production, marketing and the supply chain; encouraging sourcing of goods from India; and enhancing competitiveness of Indian enterprises through access to modern designs, technologies and management practices. No change has been made in respect of FDI in the small-scale sector.

(c) to (h): A statement is laid on the Table of the House.

Statement referred to in reply to parts (c) to (h) of the Lok Sabha Starred Question No.42 regarding Foreign Direct Investment for answer on 21.2.2006.

(c) & (d): Guidelines for FDI in retail trade of 'Single Brand' products have been notified, vide Press Note 3 (2006 Series), which, inter alia, provide that :

(i) Products to be sold should be of 'Single Brand' only;

(ii) Products should be sold under the same brand internationally; and

(iii) 'Single Brand' product-retailing would cover only products which are branded during manufacturing.

(e) & (f): While some representations against allowing FDI in the entire retail sector were received, no representation against the recent Government decision to allow FDI in retail trade of only 'Single Brand' products has been received. Such products usually have a limited demand, require a higher investment and target a specific clientele. Permitting FDI in this specific aspect of retail trade is not likely to have adverse effect on local kirana shops, which have a more general merchandise and cater to a different clientele.

(g): At present, there is no proposal under consideration to increase the FDI limit in the small-scale industries. There is, at present, no separate category of industries classified as medium industry.

(h): The FDI policy is reviewed on a continuous basis to improve the investment- climate in India.